

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL MEMORANDUM

SB 1086 – HB 1667

March 9, 2009

SUMMARY OF AMENDMENT (004828): Adds language authorizing the Department of Revenue to retain a sum sufficient for recovering one-time state expenditures for computer and programming modifications and any loss of revenue occurring for FY09-10 and FY10-11.

FISCAL IMPACT OF ORIGINAL BILL:

(CORRECTED)

Decrease State Revenue –

\$1,000/Dept. of Revenue/FY09-10 and FY10-11

Increase State Revenue –

\$6,300/Dept. of Revenue/FY11-12 and FY12-13

\$13,600/Dept. of Revenue/FY13-14 and subsequent years

Increase State Expenditures - \$32,400/One-Time

Increase Local Revenue –

\$779,600/FY09-10 and FY10-11

\$1,421,200/FY11-12 and FY12-13

\$2,062,800/FY13-14 and subsequent years

Other Fiscal Impact – The state is estimated to recover all reduced revenue and all one-time expenditures by the end of FY14-15. From this point forward, the net fiscal impact to the state will turn positive as a result of the Department of Revenue continuing to receive (as noted above) an additional \$13,600 per year for tax administration.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue –

\$6,300/Dept. of Revenue/FY11-12 and FY12-13

\$13,600/Dept. of Revenue/FY13-14 and Subsequent Years

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Increase Local Revenue – Net Impact -
\$745,200/FY09-10
\$777,600/FY10-11
\$1,421,200/FY11-12 and FY12-13
\$2,062,800/FY13-14 and Subsequent Years

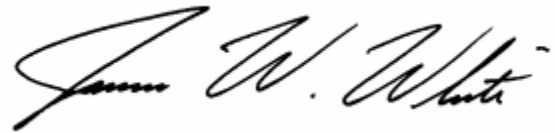
Assumptions applied to amendment:

- According to the Department of Revenue (DOR), coal severance tax collections were \$519,090 in FY07-08.
- The current coal severance tax is levied at \$0.20 per ton.
- The number of tons of coal severed in FY07-08 is estimated to be 2,595,450 ($\$519,090 / \$0.20 = 2,595,450$).
- The number of severed tons remains constant in subsequent years.
- The increase of coal severance tax revenue for FY09-10 and FY10-11 is estimated to be \$778,600 $[(2,595,450 \times \$0.50) - \$519,090 = \$778,635]$.
- The increase of coal severance tax revenue for FY11-12 and FY12-13 is estimated to be \$1,427,500 $[(2,595,450 \times \$0.75) - \$519,090 = \$1,427,498]$.
- The increase of coal severance tax revenue for FY13-14 and subsequent years is estimated to be \$2,076,400 $[(2,595,450 \times \$1.00) - \$519,090 = \$2,076,360]$.
- Under current law, DOR is apportioned three percent of all coal severance tax collections or approximately \$15,600 per year ($\$519,090 \times 3.0\% = \$15,572$).
- Absent a hold harmless provision, the decrease of apportionment to DOR for FY09-10 and FY10-11 would be approximately \$1,000 each year $\{[(\$519,090 + \$778,600) \times 1.125\%] - \$15,600 = \$1,001\}$. DOR is held harmless from the loss of this revenue as a result of additional apportionments from increased local government revenue in amounts sufficient for covering any such loss.
- The increase of apportionment to DOR for FY11-12 and FY12-13 is estimated to be \$6,300 $\{[(\$519,090 + 1,427,500) \times 1.125\%] - \$15,600 = \$6,299\}$.
- The increase of apportionment to DOR for FY13-14 and subsequent years is estimated to be \$13,600 $\{[(\$519,090 + 2,076,400) \times 1.125\%] - \$15,600 = \$13,599\}$.
- One-hundred percent of coal severance tax revenue (net of three percent to DOR for tax administration) is apportioned to local government.
- The net increase to local government revenue for FY09-10 is estimated to be \$745,200 ($\$778,600 - \$1,000 - \$32,400 = \$745,200$).
- The net increase to local government revenue for FY10-11 is estimated to be \$777,600 ($\$778,600 - \$1,000 = \$777,600$).

- The increase to local government revenue for FY11-12 and FY12-13 is estimated to be \$1,421,200 (\$1,427,500 - \$6,300 = \$1,421,200).
- The increase to local government revenue for FY13-14 and subsequent years is estimated to be \$2,062,800 (\$2,076,400 - \$13,600 = \$2,062,800).
- One-time state expenditures for computer and software modifications estimated to be \$32,400. These expenditures will be paid from the local government apportionment occurring for FY09-10.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly distinguishable.

James W. White, Executive Director

/rnc